

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 L-03 H-02 PRS-01 PA-02
AGRE-00 /115 W

-----098920 080826Z /14

R 080704Z JUL 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4596
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY PARIS

UNCLAS SECTION 1 OF 2 BERN 3066

PASS TREASURY AND FRB

USEEC, USMTN, USOECD

EO 11652: NA
TAGS: ECON SZ
SUBJ: LATEST SWISS ECONOMIC INDICATORS - JUL 1977

REF: BERN 2597

1. SUMMARY: FOLLOWING REPORT PROVIDES LATEST
ECONOMIC FORECAST AND ECONOMIC INDICATORS
AVAILABLE FOR SWITZERLAND. FIGURES ARE IN
MILLIONS OF SWISS FRANCS WITH PERCENTAGE CHANGES
SHOWN FOR PURPOSES OF COMPARISONS. BASIC SOURCE
IS JUNE EDITION OF LA VIE ECONOMIQUE (VOLKSWIRTSCHAFT),
FEDERAL DEPT OF PUBLIC ECONOMY. INFO ON RETAIL SALES,
PARTIAL UNEMPLOYMENT, AND ECONOMIC SITUATION IS FROM PRESS
REPORTS. END SUMMARY.

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2. PRESENT SITUATION: GOVT ECONOMIC COMMISSION REPORTED
THAT ECONOMY IS GENERALLY IMPROVED, BUT NOT ALL BRANCHES.
INCREASED EXPORTS LED IMPROVEMENTS IN FIRST QTR 1977
DUE TO INCREASED FOREIGN DEMAND FOR HIGH-COST
AND QUALITY PRODUCTS. SWISS COMPETITIVENESS
IMPROVED BECAUSE OF STABLE SWISS FRANC AND

HIGHER FOREIGN PRODUCTION COSTS. THIS PERMITTED PRODUCTION AND SOME EXPORT PRICES TO RISE. HOWEVER, EXPORT VOLUME HAS SLOWED IN RECENT MONTHS. SLIGHT CONSUMER DEMAND INCREASE REFLECTS DELAYED PURCHASES OF DURABLE GOODS. REAL AVAILABLE INCOME HAS RISEN ONLY SLIGHTLY. SAVINGS HAVE FALLEN FROM UNUSUALLY HIGH LEVELS IN 1976. FIRST QTR 1977 NEW HOUSING STARTS WERE 45 PERCENT BELOW FIRST QTR 1976 WHILE NEW HOUSING PERMITS WERE DOWN 18 PERCENT, BUT ONLY 3 PERCENT BELOW LEVEL OF LAST THREE QTRS OF 1976. HOWEVER, RATIONALIZATION STIMULATED INDUSTRIAL BUILDING PLANS WHICH WERE UP 6 PERCENT IN NUMBER AND 26 PERCENT BY VOLUME OVER FIRST QTR 1976. OVERALL UNEMPLOYMENT DECLINED BECAUSE OF INCREASED JOBS IN SERVICES WHILE INDUSTRIAL EMPLOYMENT HAS DECREASED. CONSTRUCTION EMPLOYMENT HAS STABILIZED BECAUSE OF INCREASED RENOVATION PROJECTS.

3. SHORT-TERM OUTLOOK: ECONOMIC COMMISSION SEES CONTINUING MODEST RECOVERY OVER NEXT FEW MONTHS BUT FACTORS NECESSARY FOR STRONG UPTURN ARE LACKING. EXPORTS SHOULD CONTINUE TO INCREASE AND PROVIDE MAIN ECONOMIC STIMULUS BECAUSE OF WORLDWIDE IMPROVEMENT. HIGHER IMPORT PRICES SHOULD ENABLE SWISS PRODUCTS TO REPLACE IMPORTS. UNCLASSIFIED

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HOWEVER, SLIGHT INFLATION FROM IMPORTS IS EXPECTED TO AFFECT REAL INCOMES AND CONSUMER DEMAND, THEREBY MAKING MONETARY POLICY MORE DIFFICULT. CONSTRUCTION IS EXPECTED TO DECLINE FURTHER BECAUSE OF FALLOFF IN PUBLIC SECTOR DEMAND BEGINNING IN 1977. INVESTMENTS ARE EXPECTED TO BE LIMITED TO PURPOSES OF REPLACEMENT, RATIONALIZATION AND RESTRUCTURING BECAUSE OF LOW CAPACITY UTILIZATION RATE (82.3 PERCENT IN APR). ACCORDING TO UNION BANK OF SWITZERLAND, 1977 BUSINESS EARNINGS SHOULD EQUAL OR EXCEED 1976 LEVEL, THOUGH PROFIT MARGINS ARE

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PASS TREASURY AND FRB

USEEC, USMTN, USOECD

STILL DEEMED INSUFFICIENT. INCREASED DOMESTIC
CREDIT IN 1977 IS USED TO COVER 1975 AND 1976
LOSSES AND FINANCE 1977 PRODUCTION RATHER THAN
NEW INVESTMENT. PATTERN OF INVESTMENT LAGGING
CREDIT EXPANSION IS EXPECTED TO CONTINUE FOR
SOME TIME WHILE SAVING DECLINE FURTHER.

4. LONGER TERM FORECAST: SWISS BANK CORP
HAS PREDICTED THAT ANNUAL REAL SWISS GNP GROWTH
RATE 1977 TO 1981 WILL AVERAGE 1.5 TO 2.5 PERCENT.
ECONOMY IS EXPECTED TO BE CHARACTERIZED BY BELOW-
AVERAGE ANNUAL GROWTH OF 2.8 PERCENT IN VOLUME OF
PRIVATE CONSUMPTION, DEPENDING ON REAL INCOME
INCREASES IN VIEW OF NEAR-ZERO POPULATION GROWTH.
MONETARY POLICY WOULD AIM AT 5 PERCENT ANNUAL
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GROWTH RATE TO KEEP NOMINAL INFLATION LOW COMPARED
TO FOREIGN TRENDS. SWISS FRANC IS EXPECTED TO
APPRECIATE ON TRADE WEIGHTED BASIS, CAUSING IMPORTS
TO CHALLENGE SOME DOMESTIC PRODUCTS. HOUSING
CONSTRUCTION IS EXPECTED TO STAGNATE AT LESS THAN
50 PERCENT OF 1973 LEVEL. WHILE LABOR PRODUCTIVITY
SHOULD RISE 2 PERCENT YEARLY, UNEMPLOYMENT
WOULD INCREASE BECAUSE FEWER UNEMPLOYED FOREIGN
WORKERS ARE EXPECTED TO LEAVE THE COUNTRY. THE
REPORT FORESEES ECONOMIC EXPANSION STIMULATED BY

ABOVE AVERAGE DEMAND FOR HIGH QUALITY PRODUCTS
WHICH SHOULD RESULT IN HIGH RATE OF EQUIPMENT
INVESTMENT TO MAINTAIN INTERNATIONAL COMPETITIVENESS.

5. NOMINAL RETAIL SALES IN MAY 1977 ROSE 1.3 PERCENT
(UP 0.2 PERCENT IN REAL TERMS) COMPARED TO MAY 1976 WHEN
SALES FELL 5.9 PERCENT COMPARED TO MAY 1975. INCREASE
WAS LED BY SALES OF OFFICE MACHINES, AUTOS, FUELS, FRUITS,
VEGETABLES AND MILK PRODUCTS. SALES OF WATCHES AND JEWELRY,
SPORT ARTICLES AND TEXTILES DECLINED.

6. PRICES:	1976	1977
A. MAY CPI (1966:100)	165.2	167.3
CHANGE FROM APR	-0.2	-0.1
YEAR CHANGE	1.3	1.3
CHANGE JAN-MAY	0.1	0.1

B. MAY WPI (1963:100)	147.5	149.5
CHANGE FROM APR	-0.1	0.1
YEAR CHANGE	-1.0	1.4
CHANGE JAN-MAY	1.3	1.1

C. MAY EXPORT PRICE
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CHANGE	1.6	-0.7
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7. INDUSTRIAL PRODUCTION INDEX (1963:100)			
FIRST QTR	1976	1977	CHANGE
TOTAL INDUSTRY	130	137	5

8. LABOR	1976	1977
A. TOTAL UNEMPLOYMENT END-MAY	22,860	12,282
YEAR CHANGE	250.2	-46.3
UNEMPLOYMENT RATE	0.9	0.4

B. PARTIAL UNEMPLOYMENT END-MAY	66,158	11,216
YEAR CHANGE	100	-83

C. WAGES FIRST-QTR 1977; CHANGE FROM FIRST QTR 1976:
HOURLY WAGES 1.3
MONTHLY WAGES 1.3
PRODUCTION WORKERS 1.8
OFFICER PERSONNEL 0.1

9. TRADE	BALANCE	EXPORTS COVER IMPORTS
JAN-MAY 1977	-704.5	96 PERCENT
JAN-MAY 1976	243.9	101.7 PERCENT

10. FIRST QTR 1977 FOREIGN TRADE PERCENT CHANGE FROM FIRST

QTR 1976:

A. IMPORTS PRODUCTS:	VOLUME	VALUE
PRIMARY AND SEMIFINISHED	6.3	27.4
ENERGY	-2.3	-.19
INVESTMENT, GOODS	8.7	17.0
CONSUMER GOODS	0.0	20.5

B. EXPORT PRODUCTS:	VOLUME	VALUE
PRIMARY AND SEMIFINISHED	1.2	20.7
ENERGY	-3.2	30.5
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INVESTMENT GOODS	6.6	12.4
CONSUMER GOODS	15.5	13.7.

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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